



# The Real Estate ANALYST

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*As I sell*

## THE REMODELING AND REPAIR MARKET

**L**AST year the modernization, maintenance, and repair business on all residential units was approximately equal to the cash receipts from all crops raised on all farms in the United States. It was considerably larger than the tax revenues of all cities in the United States. It was also considerably larger than the wholesale receipts from all automobiles, motor trucks, and busses produced in this country. This does not take into account the unpaid-for labor of the home owner who used much of the material. If this had been paid for on the same basis that the home owner paid contractors on the jobs which he did not do himself, another \$5.8 billion would be added to the total. This would bring the modernization, maintenance, and repair business on all residences to more than \$18.8 billion, in comparison with \$16.4 billion, the amount spent last year for all private new dwelling unit construction in the United States.

Few people have thought that repairs, additions, and alterations produced a larger volume of business than the building of new units, but it must be remembered that there are 58 million housing units standing in the United States today and that the number of units built in any one year never exceeds three percent of those standing. Each year the number of standing units increases, and each year a larger number of the standing units are older. In 1956, the last age breakdown we have, 54 percent of all the dwelling units in the United States had been built prior to 1930. In another 10 years the modernization and repair business on all dwelling units, without including the value of the home owner's work, will exceed \$25 billion a year.

The part that the home owner played in the direct purchase of building materials was not recognized in the past. The United States Census Bureau recently completed a sampling survey which will be continued each quarter. This survey gives some basic information from which some estimates can be made. We have studied this material and have arrived at some computations which are quite startling, and in some cases rather different from the hitherto published releases.

Table I shows an estimate of all building materials purchased for alterations, additions, maintenance, and repair of one- to four-family buildings. The figures are in millions of dollars. This table would indicate that in 1960 more than \$5 billion was spent for materials alone for this purpose. Of this amount, almost \$3½ billion was spent directly by the owner. This is more than two-thirds of the total, with less than one-third being accounted for by purchases by the contractor.

TABLE I  
BUILDING MATERIALS PURCHASED FOR ALTERATIONS,  
ADDITIONS, MAINTENANCE AND REPAIR OF  
ONE- TO FOUR-FAMILY BUILDINGS - 1960  
(In Millions of Dollars)

	By Owner		By Contractor		Total	
	\$	%	\$	%	\$	%
1. For additions	257	79	67	21	324	100
2. For inside alterations	862	63	502	37	1,364	100
3. For outside alterations	683	84	130	16	813	100
4. For maintenance and repair						
a. Painting	723	79	196	21	919	100
b. Heating & central air cond.	38	28	96	72	134	100
c. Plumbing	100	51	95	49	195	100
d. Roofing	81	64	45	36	126	100
e. Flooring	79	90	9	10	88	100
f. Other	318	67	155	33	473	100
5. Replacements						
a. Heating & plumbing	198	64	110	36	308	100
b. Roofing	67	39	103	61	170	100
c. Other	51	29	125	71	176	100
Total	\$3,457	68	\$1,633	32	\$5,090	100

Individual items on the table are still more interesting. Apparently, home owners bought 90 percent of all building materials used on maintenance and repair of floors, while contractors bought only 10 percent of these materials. This table would also indicate that approximately four out of every five gallons of paint used on maintenance and repair were purchased by the home owner, with only one gallon out of the five being purchased by the painting contractor.

Home owners spent more than \$5 out of every \$6 for materials used in outside alterations to their homes. These included walks, driveways, swimming pools, barbecue pits, patios, fences, walls, etc. Contractors bought only 16 percent of these materials for this purpose.

Table II, while based on the Census survey, represents largely computations of our own organization. This table shows the labor actually paid for by the home owner either to a contractor or to workmen he hired himself. These figures are shown in the third column under the heading of "By Contractor," and in 1960 these expenditures totaled \$4,356,000,000.

TABLE II

ESTIMATED AND IMPUTED VALUE OF LABOR AND OVERHEAD  
USED IN ALTERATIONS, ADDITIONS, MAINTENANCE AND REPAIR OF  
ONE- TO FOUR-FAMILY BUILDINGS - 1960

(In Millions of Dollars)

	By Owner	%	By Contractor	%	Total	%
1. For additions	\$ 358	55	\$ 293	45	\$ 651	100
2. For inside alterations	1,448	53	1,278	47	2,726	100
3. For outside alterations	1,272	78	353	22	1,625	100
4. For maintenance and repair						
a. Painting	1,272	69	566	31	1,838	100
b. Heating & central air cond.	70	26	195	74	265	100
c. Plumbing	166	43	223	57	389	100
d. Roofing	132	52	121	48	253	100
e. Flooring	122	70	53	30	175	100
f. Other	530	56	417	44	947	100
5. Replacements						
a. Heating and plumbing	302	49	315	51	617	100
b. Roofing	104	30	237	70	341	100
c. Other	48	14	305	86	353	100
Total	\$5,824	57	\$4,356	43	\$10,180	100

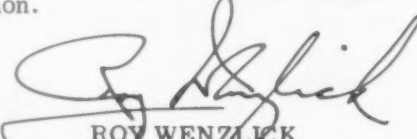
The first column on this table attempts to evaluate in dollars the work which the home owner did himself. The basis of this evaluation is the amount which the home owner would have had to pay to contractors to do this work for him. It, therefore, includes labor, overhead, and profit. It would indicate that through his "do-it-yourself" activities the home owner saved more than \$5.8 billion last year. The total estimate of all labor on additions, alterations, maintenance, and repair of one- to four-family buildings is just slightly over \$10 billion.

The tremendous size of the maintenance market on smaller residential buildings, together with the fact that more than half of the work is done by the home owner himself, and more than two-thirds of the materials are purchased by him, would suggest the following conclusions:

1. On many building materials the advertising and sales effort should be aimed directly at the home owner and should stress the ease of application.

2. This market has an advantage which is not always recognized. The demand for building materials for new construction varies greatly from year to year. There have been years when the volume of new building ran less than one-eighth of the volume just a few years before, and there have been years in which building volume increased by tremendous percentages in a relatively short time. This is not true of the maintenance and repair field. Because of the constant increase in the number of older buildings, the market is steadily getting larger. While the building of a new home is generally a postponable item, the postponement usually brings an intensified desire for alterations and additions to the existing building. Even periods of recession and depression, with their layoffs and economic distress, do not have nearly as much effect on this market as they do on the market for new buildings. Layoffs and shorter work weeks provide many home owners with unexpected free time, and some of this time is used in catching up on deferred maintenance, in spite of the fact that this requires some cash outlay.

3. Some urban renewal expenditures are being shifted from complete slum clearance to neighborhood rehabilitation. This will increase the expenditures covered in this survey. Part of the funds made available by the recently passed housing bill to the Federal National Mortgage Association were for the purpose of enabling it to support the newly authorized FHA-insured mortgages on remodeling and repair work. The maturities of these loans can be up to 25 years and they can bear interest rates of six percent or less. The purpose for insuring such loans is to encourage the fixing up and cleaning up of so-called gray areas of our cities. These areas are not now slums, but they are potential slums if something is not done to stem the deterioration.



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NOTE: The Census study which formed the basis of this bulletin included work done under contract or by hired labor, materials purchased by owners and renters, and the cost of renting tools and equipment for carrying out the work. The cost of purchasing tools used by a do-it-yourselfer is excluded. Therefore, the large do-it-yourself equipment and tool market is not included. The types of work for which expenses are included are additions of new rooms to the structure, building or repairing of garages, painting, replacement or repair of furnaces, plumbing, etc. The Census reports that as a general principle, expenses connected with items not permanently attached or firmly affixed to some part of the house or property are excluded. This would cover such items as the repair, installation, or replacement of appliances that are not built-in. It should also be noted that the tables in our study include only one- to four-family residences.

